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Revenue Management as a Multi-Disciplinary Business Process - Part Two

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Revenue Management as a Multi-disciplinary Business Process – Part Two

Introduction

In Part 1 of this article, I emphasized the need to approach the revenue management discipline as a highly structured business process. With consumer buying behavior changing so rapidly, narrowly focusing on revenue management software systems to deliver sell directives, or spending inordinate amounts of time on tactical revenue management tasks simply is not enough to optimize demand. What is needed, even essential, is a much more holistic approach that goes well beyond traditional yield management techniques.

To this end, I introduced the reader to a comprehensive business process that encompasses six (6) key components. The diagram below is a graphical representation of this iterative process.

The first three of these components (Product Alignment, Competitive Benchmarking and Strategic Pricing) were discussed in detail in Part 1. These components form the foundation of the revenue management decision-making process and can be summarized in the following way:

Product Alignment - Product Alignment is about defining markets so that customer needs can be assessed and product can be matched to meet those needs. It includes such processes as product utilization analysis, RevPAR by room type evaluations, and product usage by market segment.

Competitive Benchmarking – Competitive Benchmarking is the process by which properties determine their relative position in the market place based on the guests' perception, not some internal, often-subjective view of the hotel or resort. The best indication of a hotel's true competitive set is to ask guests at checkout where they would have stayed had the hotel not had availability.

Strategic Pricing – The pricing element of a comprehensive revenue management program is often the most difficult to master, particularly because hotels so often resort to using price as their primary competitive weapon.

In this article, we'll explore the last three key revenue management components: Demand Forecasting, Business Mix Manipulation and Distribution Management.

Demand Forecasting

The biggest revenue management weakness in the hospitality industry continues to be the ability to accurately forecast demand. Most hotels/resorts conduct occupancy forecasting and revenue forecasting but fewer than 10% actually complete a rolling unconstrained demand forecast as part of their regular forecast process. As well, even the revenue forecasting process tends to rely heavily on only 2 data sets – business "on the books" (OTB) and last year performance. This approach lacks the in-depth analysis required to set optimal selling strategies.

The table below makes distinctions between three forecasting methodologies commonly used in the hotel industry. It is important for hotels to define and understand the unique differences in these forecasting methods.

Occupancy Forecast	**Revenue Forecast**	**Demand Forecast**
Orientation: operational	**Orientation:** financial	**Orientation:** strategic
Purpose: To tell the operating departments how busy the hotel is expected to be.	**Purpose:** To inform senior management & ownership of occupancy, rate & revenue estimates for the next 3 months.	**Purpose:** To establish sound, fact-based selling guidelines.
Characteristics: ▪ Operational orientation ▪ Facilitates scheduling ▪ Shows arrival/departure patterns ▪ Provides business mix details	**Characteristics:** ▪ Financial orientation ▪ Facilitates cash flow projections ▪ Facilitates purchasing requirements ▪ Facilitates mix analysis	**Characteristics:** ▪ Strategic orientation ▪ Identifies excess demand ▪ Identifies "needs" periods ▪ Helps in determining selling guidelines ▪ Established by broad

▪ Allows department to gage F&B and other income volumes ▪ Does not exceed 100% ▪ 4/7/14/21 days out ▪ Produced weekly ▪ Involves room nights only ▪ ***Represents constrained demand***	▪ Established by individual market segments ▪ 30/60/90 days out ▪ Produced monthly ▪ Estimates room nights, average rate & revenues ▪ ***Represents constrained demand***	segments (transient/group) for simple demand forecast ▪ May exceed 100% ▪ 30/60/90 days out + up to 12 months out ▪ Produced daily on a rolling basis ▪ Room nights only ▪ ***Represents unconstrained demand***
Who is Responsible? Front Office Manager	**Who is Responsible?** Revenue Manager, Director of Sales & Marketing, Director of Food & Beverage and Controller	**Who is Responsible?** Revenue Manager
Frequency: Weekly	**Frequency:** Monthly	**Frequency:** Daily

Occupancy Forecast

Of the three forecasting methodologies, an occupancy forecast gives limited information and is used for short term, internal operational purposes. This forecast reveals how many rooms will be occupied, how many guests will be in-house, and arrival and departure patterns of groups and tours. This type of forecast is usually completed on a weekly basis and prepared for time horizons of 7, 14, or 21 days. It does not indicate what potential there is to sell rooms, or designed to forecast revenues. It does facilitate staff scheduling and an estimate of food and beverage volumes. Below is an example of a simple occupancy forecast.

Sample Occupancy Forecast

First Day of Forecast	17-Feb-11
Date Prepared:	10-Feb-11
# of Rooms:	200

Day		Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Totals
Date		19	20	21	22	23	24	25	26	27	28	1	2	3	4	
Forecasted Room Nights		139	123	154	152	157	165	159	162	113	110	116	122	127	134	2201
Forecasted Occupancy %		70%	62%	77%	76%	79%	83%	80%	81%	57%	55%	58%	61%	64%	67%	69%
# of Guests		167	148	185	182	188	297	302	211	147	143	139	159	229	255	3245
Total Forecasted Arrivals		59	34	50	29	45	47	35	33	32	47	47	57	49	48	670
Total Forecasted Departures		36	50	19	31	40	39	41	30	81	50	41	51	44	41	698
Group Arrivals (incl. in total arrivals)		0	0	7	0	11	25	0	0	0	0	11	0	8	0	
Group Departures (incl. in total departures)		5	5	0	0	7	0	0	0	30	6	0	0	0	0	66
# of Guests per room		1.2	1.2	1.2	1.2	1.2	1.8	1.9	1.3	1.3	1.3	1.2	1.3	1.8	1.9	
ROB (rooms on the books)		122	114	135	135	139	155	139	130	77	61	61	65	67	73	1721
Expected Reach		17	9	19	17	18	10	20	32	36	49	55	57	60	61	480
		Food & Beverage Breakdown														
																Totals
Breakfast	% of Capture	63.0%	39.0%	38.0%	42.0%	45.0%	46.0%	61.0%	63.0%	39.0%	38.0%	42.0%	45.0%	46.0%	61.0%	
	Est. Covers	105	58	70	77	85	137	184	133	57	54	58	71	105	155	1610
Lunch	% of Capture	13.0%	26.0%	25.0%	28.0%	29.0%	32.0%	14.0%	13.0%	26.0%	25.0%	28.0%	29.0%	32.0%	14.0%	
	Est. Covers	22	38	46	51	55	95	42	27	38	36	39	46	73	36	763
Dinner	% of Capture	23.0%	29.0%	30.0%	28.0%	30.0%	52.0%	56.0%	23.0%	29.0%	30.0%	28.0%	30.0%	52.0%	56.0%	
	Est. Covers	38	43	55	51	57	154	169	48	43	43	39	48	119	143	1315

Group & Tour Room Breakdown

Day		Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Totals
Date		19	20	21	22	23	24	25	26	27	28	1	2	3	4	
Group Name:	Group Code:															
Legal Services Society	LGS	5														38
Turnkey Cultural Group	TKC			7	7											14
NY Association of AFC	NYA					11	36	36	36	6						125
Committee for Children	CFC											11	11	11	11	44
Pacific Ad Network	PAN													8	8	16
																0
Total Group ROB		5	0	7	7	11	36	36	36	6	0	11	11	19	19	237

Revenue Forecast

Revenue forecasting is largely designed to keep senior management informed of what to expect in the coming months in the way of occupancy, average rate and revenues. It is usually combined with a detailed food & beverage forecast (and other income centers), and labor/expense estimates to produce a comprehensive financial forecast. In much broader terms it also guides management on hiring, purchasing and cash flow requirements. Typically, revenue forecasting is done monthly looking 30, 60 and 90 days out. Below is an example of the transient component of revenue forecast.

A	B	C	D	E	F	G	H	I
		# of rooms:			685			
		# of days in month			31			
		For the Month of:			October-11			
Date		**1**	**2**	**3**	**4**	**5**	**6**	**7**
Day of Week		**Sat**	**Sun**	**Mon**	**Tue**	**Wed**	**Thu**	**Fri**
Leisure Segments:								
Rack	Rm Nts	63	74	92	39	46	47	49
	ADR	$233.00	$247.00	$252.00	$229.00	$231.00	$234.00	$234.00
Package	Rm Nts	55	60	71	31	38	39	41
	ADR	$198.00	$205.00	$209.00	$197.00	$198.00	$196.00	$196.00
Discount	Rm Nts	35	33	29	19	28	29	31
	ADR	$145.00	$149.00	$153.00	$143.00	$144.00	$145.00	$145.00
Internet	Rm Nts	15	16	14	10	10	11	14
	ADR	$168.00	$172.00	$175.00	$168.00	$168.00	$169.00	$169.00
Total Leisure Room Nights		**168**	**183**	**206**	**99**	**122**	**126**	**135**
Total Leisure ADR		**$197.40**	**$209.00**	**$218.01**	**$196.31**	**$195.59**	**$196.08**	**$195.28**
Total Leisure Revenue		**$33,164**	**$38,247**	**$44,910**	**$19,435**	**$23,862**	**$24,706**	**$26,363**
Business Segments:								
Corporate Published	Rm Nts	44	36	24	37	35	38	39
	ADR	$193.00	$197.00	$202.00	$192.00	$193.00	$194.00	$194.00
Corporate Volume	Rm Nts	15	10	13	17	18	17	20
	ADR	$153.00	$157.00	$162.00	$152.00	$153.00	$154.00	$154.00

Demand Forecast

Demand forecasting takes into consideration a number of factors including past history, business on the books, booking pace, activity in the market place and the number of rooms available in the market place. This forecast is more long term, entirely strategic in nature and based on unconstrained demand. It assists the hotel in establishing sound selling guidelines, stay controls, and marketing initiatives. Typically, demand forecasting is done on a rolling basis for the next 30, 60 or 90 days. The example below is an excerpt from an unconstrained demand forecast. Note the projected excess demand on certain days.

Demand Forecast

Today's Date:	16-Dec-10
# of Rooms:	80
Demand Forecast Look-Back:	4 Weeks

Day	Date	DBA *	Transient ROB	Transient Expected Pick-Up	Total Transient Forecast	Group Forecast	FIT	Comp & Owners	Total Forecasted Demand	Total Projected Unconstrained Occupancy
Thursday	12/16/10	0	35	2	37	0	9	2	48	59.7%
Friday	12/17/10	1	61	5	66	0	7	3	76	95.3%
Saturday	12/18/10	2	74	9	83	0	6	4	93	115.9%
Sunday	12/19/10	3	77	2	79	0	6	0	85	106.6%
Monday	12/20/10	4	68	6	74	0	7	5	86	107.2%
Tuesday	12/21/10	5	61	10	71	0	7	5	83	103.8%
Wednesday	12/22/10	6	63	12	75	0	7	3	85	106.3%

Members of the Revenue Team should share forecasting tasks. The operational orientation of the occupancy forecast makes it a good task for the FOM. The revenue forecast is normally a collaborative effort. The group line is usually submitted by Sales and approved by the Director of Sales, while the transient line is the responsibility of the Revenue Manager. The Controller normally compiles the detailed financial forecast with input from division/department heads. The demand forecast process is quite different and involves daily analysis and updates. The Revenue Manager (or equivalent) is usually responsible for the demand forecast.

In an effort to produce more accurate revenue forecasts by integrating demand forecasting techniques, the following forecasting criteria is typically used. This important distinction between occupancy, revenue and demand forecasting means that selling strategy development is determined based on demand, not business on the books.

The following forecasting criterion should be used to prepare 30/60/90 day forecasts:

- Unconstrained demand based on daily segment booking curves for historical intervals of 4, 8 & 12 weeks
- On the books data by segment by day
- Examination of segment performance by day at the same period last year
- Examination of segment performance by day based on recent booking trends
- Review & analysis of booking windows by segment by day
- Review of denial data by segment by day
- Day of week trends
- Review of demand influencers (demand generators & detractors)
- Review of competitive compression
- Review of city-wide conferences & property specific demand
- Review of competitive pricing
- Review of length of stay opportunities (stay pattern management)
- Comparison of internal versus external compression
- Review of product leveraging opportunities by day by segment (i.e. room categories)
- Discussion regarding sales initiatives with regard to anticipated segment performance & group block pick-up
- Discussion regarding any group & tour pick up & block wash
- Use of group booking curve robust data (i.e. at least 30% pick-up has occurred) to accurately forecast group pick-up by day
- Discussion regarding voice booking trends
- A review of average rates by segment based on current OTB & an estimate of rate performance for room nights yet to be picked up resulting in a blended ADR prediction
- Excess demand to be constrained manually by limiting lower rated segments

In addition, many hotels produce a monthly or bi-weekly outlook, comprised of fiscal year-to-date actuals, 30/60/90 day forecasts and budget to year-end. This provides management and ownership with an ongoing update of projected year-end results.

All forecasting processes should rely primarily on demand estimates. Hotels tend to be good at recognizing highly predictable demand, but resort to making decisions based on rooms on the books when it becomes more difficult to predict demand. By improving the overall forecasting regimen, using rigorous methodologies to forecast demand and tracking forecast accuracy on a day-by-day, segment-by-segment basis hotels are in a position to ensure they are leaving "no money on the table."

Business Mix Manipulation

Market segmentation is used in business as a way to characterize the unique make-up of different types of business; i.e. the customer's unique product needs, price threshold, lead time to booking, and reason for requiring accommodation. When there is a clear understanding of these variables properties are better able to identify optimal business mix and, ultimately, profit optimization. In an ideal Total Revenue Management (Total RM) environment, hotels and resorts look at a metric such as RevPACV (revenue per available client/customer value). This approach takes into consideration the lifetime value of a client or guest in terms of "total spend" and the cost associated with securing that business. These costs include such things as distribution costs and product delivery costs, as well as acquisition and retention related costs.

Proper mix management serves two key purposes – diversification of mix limits risks should market conditions suddenly change, and manipulating business mix is the best way to impact revenue per available room (RevPAR) without eroding rate. A revenue manager who achieves revenue goals using business mix rather than price as a primary strategy is in a position to reach optimal results with whatever level of demand exists. This may seem like an obvious strategy, but it is surprising how often hotels use price (vs. business mix) as the main driver, and there is a great deal of difference between lowering average daily rate (ADR) and lowering price.

The Value of Balanced Market Indices

Typically, the first step in examining the effectiveness of business mix is to look at a hotel's market share over a period of time – first historically and then by forecasting future share. Historically, it's important to examine a number of performance metrics including:

- Market penetration in occupancy, average rate and RevPAR (market indices)
- Market share trends over time in all three metrics
- Performance levels by day of week, lead time, length of stay, and broad market segment
- Index balance (i.e. the absolute variance between the occupancy index and the average rate index)

Surprisingly, hotels often pay the least attention to index balance; yet it is this metric that reveals the most information about the relative success of the hotel's strategies in the marketplace. By manipulating business mix such that market penetration in room nights and rate is relatively balanced, the hotel is able to drive rate when the opportunity arises and volume when market conditions shift.

In the table below, index balance fluctuates dramatically from one month to another. In the month of February, this hotel gave up significant volume share, but over achieved in rate share, resulting in a 25.4-point variance in these two key indices. Conversely, in November the opposite was true; the volume capture was well above fair share while the average rate performance considerably below the competitive set. The result is an imbalance of 23.6 points. Although the RevPAR share is above 100 in both cases, opportunities to optimize revenue were still missed. Whereas in May index balance was superb, driving RevPAR penetration well above fair share (118.2). Hotels often fixate on the RevPAR index and as long as it is above 100 they identify performance as successful. But large variances between the indices are a sign that demand may not have been optimized. Of course the hotel may have had good reason to pursue volume on a given month (e.g. large group in-house), but if large variances persist over the course of several months, the hotel is missing opportunities to maximize revenue.

Sample Interpreting Index Balance

Year	Month	Occupancy Index	ADR Index	RevPAR Index	Absolute Variance Occ to ADR
2010	Jan	100.3	115.1	115.4	14.8
2010	Feb	88.8	114.1	101.3	25.4
2010	Mar	92.9	112.0	104.0	19.1
2010	Apr	100.9	111.0	90.7	10.1
2010	May	105.8	109.4	115.8	3.7
2010	Jun	102.0	117.6	119.9	15.7
2010	Jul	97.0	110.6	107.2	13.6
2010	Aug	99.7	112.4	112.2	12.7
2010	Sep	101.3	100.4	101.7	0.9
2010	Oct	94.2	109.2	93.1	14.9
2010	Nov	113.8	90.2	102.7	23.6
2010	Dec	95.6	108.1	103.4	12.6
2010	May	110.6	106.9	118.2	3.7
2010	Jun	100.4	110.9	111.4	10.5
2010	Jul	107.8	112.0	120.7	4.1
2010	Aug	98.2	109.9	108.0	11.7
2011	Sep	110.6	112.1	124.0	1.4
2011	Oct	103.5	109.4	113.2	5.9
Running 3 Month					
2009		92.7	115.0	106.7	22.3
2010		102.9	112.8	116.0	9.9
2011		104.1	110.3	114.8	6.3
Year To Date					
2009		90.7	115.2	104.4	24.5
2010		100.6	112.8	113.4	12.2
2011		104.9	110.7	116.1	5.8
Running 12 Month					
2009		97.4	108.3	105.5	10.9
2010		96.8	110.8	107.2	14.0
2011		100.1	109.6	109.7	9.5

For most hotels, a reasonable balance in occupancy and rate indices is ten (10) points annually.

The 10- point spread is not an absolute number, but it’s based on two factors – first, the acceptable margin of error in forecasting (i.e. forecasting without the benefit of an revenue management system) which is usually an error percentage of plus or minus 5%. And second, given these parameters for forecast accuracy and knowing that selling strategies are driven by a demand forecast, it's logical to strive for an index balance within 10 points.

The hotel business is a high fixed/low variable cost industry, so focusing on RevPAR is the key. The objective is to optimize revenue by bringing the metrics of occupancy and average rate indices closer together and that means manipulating mix that best matches market demand. It is virtually impossible to play the market demand so perfectly that indices are exactly equal every month. There are all kinds of factors that contribute to indices being out of balance. But to achieve reasonable index balance is statistical proof that the hotel played the market conditions in such a way as to be able to drive rate when possible and volume when necessary – the result being that occupancy and ADR indices are mutually rewarded to the benefit of RevPAR.

There are certainly sceptics who might not see balanced indices as a positive strategy for their hotel. For example, take a hotel that is a rate leader in the market place, perhaps achieving rate penetration beyond 130 or 140%. This market leader is not seeking to balance their indices by bringing in huge volumes of low rated business. However, even rate leaders have opportunities to drive more volume in selected months and often miss volume opportunities that could be addressed with intelligent use of fences. Those hotels that have lopsided indices look for months where making tactical adjustments to mix makes sense for the long-term goals of the property. It is rare to find a hotel that cannot benefit from improved balance to their indices through strategic business mix manipulation.

The Value of Market Share Forecasting

Many hotels in their fiscal year budget process identify a strategic RevPAR index goal. Although it is certainly important to establish the goal, it is equally if not more important to forecast market share performance. This should be done month-by-month to see if the targeted business mix penetrates the market in a reasonably balanced manner. Market share forecasting is a process that utilizes historical and future demand data to forecast RevPAR performance, and then project that performance into the market place relative to the competitive set. In essence it is synonymous to having a Smith Travel Accommodation Report (STAR) in advance.

The primary purpose of predicting market share in advance is to be able to proactively manipulate business mix in order to improve market penetration. It affords the opportunity to address positioning strategies before it's too late. It also provides a chance to address index imbalances. If the occupancy index looks to be over performing, the hotel has the confidence to ease back on volume and drive rates. If the rate index is soaring, then additional lower-rated business can be strategically and intelligently sought. Naturally, any market share forecast is going to represent a hypothesis (i.e. an educated guess), but by using logical market metrics the results can usually still represent valuable, actionable data. Paying closer attention to index balance provides the most relevant data from which to optimize revenue management decisions.

With regard to market share forecasting, we recommend forecasting the marketplace for the next 12 months and calculating market share indices based on the hotel or resort's monthly budget targets in room nights, average rate and overall revenue. This is a key indicator of how well property level strategies and tactics are playing out in the marketplace and should be at the center of RM discussions.   Below is an example of a market share forecast.

Market Share Forecast

			Forecasted Occupancy Index					Forecasted Average Daily Rate Index					Forecasted RevPAR Index				
Demand Level	Year	Month	Property	Comp Set	Index Forecast	LY Index	% Change	Property	Comp Set	Index Forecast	LY Index	% Change	Property	Comp Set	Index Forecast	LY Index	% Change
high	2011	April	80.2%	75.7%	105.9	123.3	-16.4%	$205.37	$162.49	126.4	117.5	7.0%	$164.71	$123.00	133.9	144.9	-8.2%
high	2011	May	82.3%	76.3%	107.9	107.0	0.8%	$206.58	$163.22	126.6	127.3	-0.6%	$170.02	$124.54	136.5	136.2	0.2%
high	2011	June	77.8%	77.5%	100.4	98.4	2.0%	$204.91	$162.56	126.1	127.0	-0.8%	$159.42	$125.98	126.5	125.0	1.2%
medium	2011	July	68.4%	63.9%	107.0	106.5	0.5%	$178.44	$145.13	123.0	122.4	0.4%	$122.05	$92.74	131.6	130.4	0.9%
medium	2011	August	75.7%	70.8%	106.9	109.1	-2.0%	$179.65	$144.99	123.9	123.4	0.4%	$136.00	$102.65	132.5	134.8	-1.8%
high	2011	September	78.9%	77.6%	101.7	97.1	4.5%	$204.61	$162.34	126.0	128.7	-2.1%	$161.44	$125.98	128.1	125.1	2.4%
high	2011	October	76.3%	73.5%	103.8	104.7	-0.9%	$202.97	$157.89	128.6	129.5	-0.7%	$154.87	$116.05	133.4	135.5	-1.5%
high	2011	November	72.8%	70.4%	103.4	103.8	-0.4%	$169.42	$144.68	117.1	118.3	-1.0%	$123.34	$101.85	121.1	122.8	-1.4%
low	2011	December	53.7%	51.6%	104.1	103.6	0.5%	$160.33	$140.32	114.3	115.7	-1.3%	$86.10	$72.41	118.9	119.8	-0.7%
low	2012	January	55.3%	54.9%	100.7	98.0	2.7%	$164.59	$139.77	117.8	117.5	0.2%	$91.02	$76.73	118.6	115.1	3.0%
medium	2012	February	62.9%	62.3%	101.0	92.4	8.5%	$177.62	$149.01	119.2	121.3	-1.8%	$111.72	$92.83	120.3	112.1	6.9%
medium	2012	March	71.4%	68.3%	104.5	105.7	-1.1%	$170.85	$146.32	116.8	116.6	0.1%	$121.99	$99.94	122.1	123.4	-1.1%

Essentially there are 3 steps in the market share forecasting process: 1) internal analysis, 2) external analysis, & 3) forecasting market demand.

Step 1: Start by having a look at monthly, quarterly and annual year-to-date (YTD) performance to budget. Looking at this data helps to determine where internal yield strategies against market demand may be out of alignment. As well, look at performance against the transient baseline. There may be a need to adjust the baseline to reflect new information. Finally, look at forecast accuracy trends – are there inaccuracies by day of the week or by market segment?

Step 2: Examine the hotel's performance relative to the competitive set. Look at past indices and index balance (i.e. occupancy vs. rate). For example, have tactics been too aggressive given the demand in the market place? Is the hotel not reacting quickly enough to maximize one of the individual indices? If there is access to day of week and market segment data, drill down into some of the disaggregated segment information.

Step 3: Based on this internal and external research and using reasonable assumptions, estimate the market performance going forward. Look at the occupancy and ADR variances per month between your hotel and the competitive set; then formulate a hypothesis about how the market will perform. Finally, compare the hotel's forecasted occupancy, rate and RevPAR to the competitive set forecast and see where the market indices fall. If the result is undesirable the hotel still has time to react. Review the strategies in place for the month in question and identify tactical changes that can be made and successfully implemented that will impact RevPAR results and therefore market share performance.

Market share forecasting can be controversial. Sceptics argue that accurately forecasting the market is too difficult and arbitrary. But it can also be argued that forecasting market performance is part of every annual business plan process. Monthly market share forecasting is the very same process, only it's done for a 30/60/90 day horizon and because is conducted much closer to the actual month, it is typically far more accurate. The key is to make reasonable, logical assumptions based on empirical research and see where this leads.

It is common for a hotel to begin by simply projecting annual budgeted occupancy, rate and RevPAR into the market. This process starts by forecasting year-end performance of the competitive set by using logical market metrics. To make it easier on the first attempt, assume the market remains flat and that any increase in room revenue achieved by the subject hotel represents stolen share. Based on this scenario, what are the projected market indices? How balanced are they? Be guided by the characteristics of the demand in the market place, not by internal budget or forecast goals.

Market share forecasting is certainly not an exact science, but hotels should not be afraid to experiment. The objective is to examine market demand in search of new ways to increase market share by manipulating business mix. Market share forecasting (like demand forecasting) is both art and science and can be the catalyst to dramatic changes in strategy.

Distribution Management

The final step in the ***REV*RoadMap®** business process is distribution management. In this context this includes all levels of distribution including: direct sales, voice reservations (property & central), online travel agencies (OTA's), other IDS models, GDS, the proprietary/brand website and Front Desk sales.

With so many channels to manage, revenue managers often find that the inventory management piece of the job becomes all consuming, taking a far greater proportion of time than warranted. To ensure that Revenue Teams take enough time to think and act strategically, a highly structured decision making process is required. This includes:

1. Weekly meetings of the Revenue Team
2. Sufficient time to discuss and develop selling guidelines based on the right data sets
3. A monthly strategic session that precedes the development of the 30/60/90 day revenue forecast – this exercise provides strategic and tactical connection to the selling guidelines that are developed and deployed during the 90-day period.

Weekly Revenue Management Meetings

Revenue managers preparing reports and documentation, while other members of the team simply "show-up", often characterize weekly revenue management meetings. This is hardly a sufficiently collaborative approach. What should happen is for each member of the team to be responsible for bringing key information and data sets. A well-structured RM meeting agenda should include four primary components as noted in the sample agenda below.

Agenda for Weekly Revenue Management Team Meeting

Team Participants Dependent on Size of Hotel or Resort: General Manager (GM), Director of Operations (DOO), Director of Sales & Marketing (DOSM), Director of Revenue Management (DRM) or Revenue Manager (RM), Front Office Manager (FOM), Reservations or Call Center Manager (ResMgr), Controller, and Conference/Catering Manager (CM). Rotate in front desk and/or reservations staff.

Marketplace Information Approx. 10 minutes	**Action**
❑ General economic climate	GM/DOO/DOSM/Controller
❑ Marketplace activity (conferences, sporting events, community events, holidays)	DOSM
❑ City/Resort information & seasonal promotions, public relations issues	DOSM
❑ New or renovated inventory, openings	GM/DOSM
❑ Weather/ski/boating/boarding conditions, etc.	FOM
Competitive Information Approx. 15 minutes	
❑ Rate positioning (local call around)	FOM
❑ Current promotions/advertising	ResMgr
❑ WBE, GDS, CRS, Voice, OTA & marketing (RateVIEW, MarketVision or similar)	DRM/RM

❑ 800# test calls by non yield members	FOM
❑ Review Social Media initiatives + any Google Alerts and/or Technorati feedback	DRM/RM/DOSM
❑ Review any price alerts set in YAPTA or similar websites for "hot dates"	DRM/RM
Property Information **Approx. 20 minutes**	
❑ Group business for next 90 days – definite & tentative (outstanding issues only)	DRM/RM/CM
❑ Tour block pick up	DRM/RM
❑ Demand forecast for next 90 days	DRM/RM
❑ Day of week market capture (DaySTAR)	DRM/RM
❑ GDS market capture and future pace (Hotelligence)	DRM/RM
❑ Property performance to forecast, budget topline and bottom-line (MTD, 30/60/90, etc.)	Controller
❑ Daily pace for next 90 days (hot dates, stalled dates, unusually low or high pace)	DRM/RM
❑ Denials analysis, rate resistance feedback, general reservations climate (all sources)	ResMgr
❑ Reservation call statistics (volumes, abandoned, conversions)	ResMgr
❑ Rates, promotional offers, product bulletins (ads, packages, partner marketing)	ResMgr
❑ Rate and stay controls currently in place (all reservation sources)	ResMgr
❑ Critical dates high & low demand outside the 90-day period (rate & stay controls)	DRM/RM
❑ New business, new ideas, trends, consumer review scores (Tripadvisor, Kayak, OTA's)	DRM/RM
Setting Selling Strategies **Approx. 15 minutes**	

❑ Price positioning of property (rate strategies)	Team
❑ Volume and stay control strategies (displacement analysis, building base business, etc.)	Team
❑ Inventory balance (category and room type)	Team
❑ Marketing strategies (offline, online, social media, collective buying promos, etc.)	Team
❑ Internet distribution and social media strategies	Team
❑ Adjustments to transient protection	Team
❑ Adjustments to selling calendar (rate, stay, open, close, sell-through, allocation)	Team
❑ Any response to "alert dates" (see Competitive Information above)	DRM/RM
Monthly Additional 30 minutes	
❑ Review market share report & other "intelligence" re hotel performance & competition	DOSM
❑ Review monthly booking pace reports	DOSM
❑ Conduct "post mortem" for previous month	Team
❑ Review previous year "post mortem" for upcoming month	DOSM

Quarterly	
❑ Review next 365 days	DOSM/DRM/RM
❑ Visits to travel agencies and competition	DOSM/DRM/RM
❑ Review medium term social media strategies and competitive intelligence	DRM/RM

Semi Annually	
❑ Conduct competitive benchmarking review with competitive set	Team
❑ Consider inventory stratification enhancements based on product utilization data	Team

Meeting Package to Include: Recommend projecting various real time reports onto a screen rather than printing. Also recommend the Revenue Team has real-time access to the PMS, Sales/Catering, CRS, WBE & Extranet systems to quickly reference "hot", "cold" or medium demand dates and available inventory.

❑ Agenda (very brief email)	❑ Local Call Around	❑ Segment Booking Pace Report(s)
❑ Summary of Actions (previous mtg bullet point)	❑ RateVIEW or MarketVision or similar rate shopping report	❑ Demand Forecast
❑ ROB Report	❑ Group Pickup Forecast(s)	❑ Selling Calendar
❑ Market Share Report(s) (STAR or similar)	❑ SearchVIEW or similar online reputation monitoring report	❑ Revenue Forecast (targeted goal)
❑ GDS Productivity (Hotelligence or similar)	❑ Market share forecast (monthly only)	❑ Consumer review scores
❑ Other	❑ Other	❑ Other

Selling Strategy Development

If weekly revenue management meetings are not well managed, sell strategy development can often be overshadowed by unstructured discussions that stray from the intended subject matter. In addition, hotels often make important tactical decisions based on insufficient data. In this regard, emphasis is placed on the "rooms on the books" instead of demand. Meetings that adhere to a structured agenda result in sufficient time to consider the following key factors:

- Identification of high yield dates based on unconstrained demand
- Identification of length of stay opportunities based on excess demand
- Identification of product yield dates
- Identification of dates where demand does not exceed supply
- Characterization of demand layers
- Index balance

Based on characterizing the demand for each day of the month the following 12 criterion should be used to set selling strategies:

1. BAR rate levels
2. Competitive positioning
3. Demand characteristics
4. Turndown/denial data
5. Internal product availability
6. Channel criteria

7. Length of stay
8. System functionality
9. Business mix
10. Segment conflict
11. Expansion/contraction of group blocks based on demand
12. Trade-down data

Monthly Strategy Session

Managing distribution channels effectively and efficiently should be based on a strong forecasting regimen. In this regard, selling guidelines are a direct result of forward, pro-active decision making. The ideal forecast process includes a monthly strategy session where all key Revenue Team members meet to discuss factors that will impact the next 30/60/90 days. The session is intended to be very strategic in nature and to “tap into” the unique knowledge of the marketplace that each RM team member has. Below is an example of a comprehensive strategy session. It is divided into three (3) distinct parts.

1) Demand Influencers (demand generators and demand detractors)

- Sports tournaments - weekends
- Holidays (F/S/S/M)
- Other local competitions
- Competing hotel opening
- Full service sister brand compression dates
- Tour operator spring specials
- Downtown city-wides large enough to impact surrounding markets

- Local arena concert events

- Travel freezes lifted

- Other events

2) Other factors

- Pace (YTD trends, etc.)

- Pace for STAR competitive set (example YOY on 28 day running)

- Future pace (example: GDS

- Broad market statistics (from a DMO, etc.)

- Compression as detected in rate shopping reports (i.e. closed dates, higher rates, etc.)

- Compression or need dates as detected in Expedia extranet Competitive Grid

- YOY patterns generally (less relevant, but should be examined)

- Booking windows (weekday vs. weekend)

- Index balance as noted in Monthly & weekly market share reports

- Unconstrained demand (from RMS and/or other reports)

- Denials/turnaways - levels by day

- Sold out nights & stay pattern management

- Trade-down for Advance Purchase (What is an acceptable level of trade-down?)

- Other promotions, specials, etc. by the subject hotel and from the competition

(TravelZoo, Groupon, Living Social, etc.

3) **Data requirements**

- Groups on the books

- Transient business on the books

- Demand forecast

- Index balance trends
- Local/regional demand influencers
- Rate shopping report
- Group block wash factors & pick-up curves
- Market share reports (STAR or similar)
- Booking pace by market segment
- Historical comparative data
- Recent call around for apparent compression dates

If hotel Revenue Teams take the time to strategically assess the next 30/60/90 time frame and not rely solely on the Revenue Manager to crunch numbers, it provides the greatest opportunity to optimize demand.

Treating revenue management as a multi-disciplinary business process enables hotels to deal with complex markets and rapidly changing consumer buying behavior. Optimizing demand is a "moving target" and traditional yield management practices are no longer sufficient. Those hotels that elevate the revenue management discipline to the next level enjoy a distinct competitive advantage.

Bonnie Buckhiester is the President of Buckhiester Management Limited, a leading Revenue Management consulting and developmental training firm. In the past, she has held several important positions in hospitality and tourism such as Senior Vice President Operations for a major North American hotel REIT, General Manager for two 4½-diamond hotels, and General Manager Operations for a major tour operator.